

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Examine the
Commission's Future Energy Efficiency Policies,
Administration and Programs.

Rulemaking 01-08-028
(Filed August 23, 2001)

**ASSIGNED COMMISSIONER'S RULING ESTABLISHING SCHEDULE
FOR ADDRESSING HIGH PRIORITY ISSUES DURING 2004,
AND NOTICE OF WORKSHOP ON ADMINISTRATIVE STRUCTURE**

A further prehearing conference (PHC) was held on January 23, 2004, to discuss sequencing and scheduling options for the following issues in this proceeding:

- Administrative structure
- Avoided costs
- Energy efficiency savings goals
- Performance incentives
- Evaluation, measurement and verification (EM&V)

Based on the discussion at the PHC, I establish below the sequence and schedule for addressing these high priority issues during 2004, which will be phased over the course of the year.

This ruling also serves as notice for a two-day workshop on administrative structure, to be held from 9 a.m. until 4 p.m. on March 17 and 18, 2004, at the Commission's Courtroom, 505 Van Ness Avenue, San Francisco, California. An agenda for the workshop will be distributed to the service list in this proceeding via electronic mail and posted on the Commission's Website at

www.cpuc.ca.gov. The workshop topics are described in greater detail in today's ruling.

Phase 1: Administrative Structure

We will address the issue of administrative structure for energy efficiency programs as follows:

Public Workshop:	March 17 and 18, 2004
Proposals for Administrative Structure:	April 8, 2004
Opening Comments on Proposals:	April 26, 2004
Reply Comments:	May 10, 2004

A draft decision will be prepared as soon as practicable after the receipt of reply comments. The draft decision will then be circulated for opening comments within 20 days and reply comments 5 days thereafter, per the Commission's Rules of Practice and Procedure. I anticipate that this item will be placed on the agenda for the July 8, 2004 Commission Conference.

The purpose of the public workshop is to (1) identify each area of responsibility for energy efficiency administrator(s), (2) describe the various options for administrative structure, including those implemented in other states, and (3) identify and discuss the range of potential criteria for evaluating the best administrative options for California. Attachment 1 presents my initial thinking on each of these areas, based in part on survey information gathered in two recent discussion papers. Workshop participants should familiarize themselves

with these papers as background for the workshop.¹ Interested parties should feel free to recommend other discussion papers on the topic to the service list in advance of the workshop, via e-mail communication. In addition, I recommend that workshop participants familiarize themselves with the Commission's experience in implementing an administrative structure for energy efficiency via advisory boards, which is summarized in Attachment 2 of Decision (D.) 03-10-057.²

I want to emphasize that the purpose of the workshop is *not* to present and debate specific proposals for energy efficiency administration in California. Rather, the workshop should facilitate the development of: (1) common terminology with respect to administrative functions and responsibilities, (2) a better understanding of the range of administrative options available for consideration and associated implementation requirements (e.g., statutory changes that may be necessary), and (3) criteria for evaluating parties' specific administrative proposals.

I also want to stress that the criteria for evaluating specific administrative proposals should not be developed in a vacuum. In my view, the issue of evaluation criteria is inextricably linked with integrated resource planning and the Commission's Energy Action Plan goals for energy demand reductions. We

¹ Regulatory Assistance Project's "Who Should Deliver Ratepayer Funded Energy Efficiency":

www.raponline.org/Pubs/RatePayerFundedEE/RatePayerFundedEEPartI.pdf,

University of California Energy Institute's "Who Should Administer Energy-Efficiency Programs?":

www.ucei.berkeley.edu/pwrpubs/csem115.html

² This decision and attachments are available on the Commission's Website at www.cpuc.ca.gov.

now have two sources of funding for future energy efficiency programs (via procurement rates and public goods charge rates) that can serve to displace more costly investments in generation or transmission “steel in the ground” projects. *The evaluation criteria for administrative options should reflect this important function*, as indicated in the list of criteria I present for discussion in Attachment 1. This does not preclude workshop participants from proposing additional (or different) evaluation criteria to consider for the administration of programs, based on other functions they consider to be important. . However, our discussion of evaluation criteria will begin with how to best evaluate administrative proposals for energy efficiency in order to serve the function of promoting integrated resource planning and the Commission’s energy savings goals. The workshop discussion should also reflect the Commission’s direction in D.04-01-050 that:

“As the Commission will authorize a uniform portfolio of energy efficiency, we believe it necessary that the Commission have in place a unified administrative structure to oversee all energy efficiency programs regardless of the source of funding in the years ahead. For this reason, we are referring the issue of administration of energy efficiency programs authorized in this proceeding to R.01-08-028.”³

In their April 8, 2004 submittals, parties should clearly describe the evaluation criteria utilized in evaluating administrative options and developing their specific recommendations for administrative structure(s). The proposals should clearly identify which administrative functions and responsibilities are associated with each recommended structure, if more than one structure is

³ D.04-01-050, *mimeo.*, p. 106.

recommended (e.g., one for program portfolio administration, another one for EM&V.) The proposals should also include a discussion of implementation steps associated with each option, including a discussion of what, if any, new statutory authority is required for the options considered. Parties should append legal briefs to their comments to support their views on the legal requirements of each option considered and of their recommended proposal(s).

I strongly encourage all parties who plan to actively participate in this phase of the proceeding, either by submitting specific proposals or commenting on those submittals, to attend the workshop scheduled for March 17 and 18, 2004. In developing their proposals (and comments), I expect parties to utilize and reference the common terminology discussed at the workshop regarding administrative functions/responsibilities, options for administrative structure and associated implementation requirements, and proposed evaluation criteria. This will facilitate a clear understanding of where parties agree and disagree with respect to the administrative option(s) they are proposing for one or more administrative functions, as well as the criteria for evaluation that they use to reach their recommendations.

I have scheduled both opening and reply comments on the administrative structure proposals, as indicated in the schedule above. All parties are reminded that all *opening comments provide the opportunity for parties to express their views on the proposals filed on April 8, and should be as detailed as necessary to fully articulate the criticisms or commendations of those proposals. Reply comments are limited to the specific issues raised in opening comments, and may not be used as a substitute for filing comprehensive opening comments.* In fairness to all parties, I will not permit any party to wait until the reply round of comments to put forth its specific criticisms or commendations of submitted proposals.

Phase 2: Energy Efficiency Savings Targets

As discussed at the PHC, staff of the California Energy Commission (CEC) and California Public Utilities Commission (CPUC) will jointly issue a report addressing annual energy efficiency savings targets for both electricity and natural gas. This joint report will build on the efforts to date by CEC staff to establish electricity savings targets⁴ and the record in this proceeding on energy savings potential. The joint report will include annual savings targets (MW, kWh and therms), broken down by investor-owned utility service district. It will detail the methodology and assumptions used to present the range of savings targets considered and the joint staff recommendations. The schedule will be as follows:

CEC/CPUC Joint Staff Report:	March 22, 2004
Opening Comments on Report:	April 14, 2004
CEC/CPUC Joint Staff Workshop (as needed, based on comments)	April 20, 2004
Reply Comments on Report:	April 30, 2004

Energy Division, in coordination with CEC staff, should schedule and notice a workshop on April 20, 2004, to present further detail on the study methodology and assumptions, as needed. If none of the comments filed on April 14 request further clarifications of the CEC/CPUC joint study methodology or assumptions, then the workshop may be cancelled.

My target is to have a draft decision on this issue placed on the Commission's Agenda by the August 19, 2004 meeting.

⁴ See *Proposed Energy Savings Goals for Energy Efficiency Programs in California*, October 27, 2003, Staff Report, California Energy Commission. Prepared in support of the 2003 Integrated Energy Policy Report Proceeding (02-IEP-01).

Phase 3: Performance Incentives and Related EM&V

Based on the PHC statements and workshop comments, I believe that performance incentives for energy efficiency cannot be fully considered until the Commission resolves the issue of administrative structure for energy efficiency. Nonetheless, EM&V issues that relate to performance incentives irrespective of administrative structure can and should be addressed without delay. As discussed at the PHC, we can proceed to define the basis for evaluating the performance of energy efficiency programs (I refer to this metric as “performance basis”) and adopt standardized procedures and protocols for measuring that performance basis.

The performance basis for energy efficiency programs designed primarily to replace more costly supply-side options (resource programs) will be different than those designed for other purposes (e.g., informational programs). Over time, it will be very useful to develop standardized EM&V procedures and protocols, including standardized performance basis, for all types of energy efficiency programs and during all phases of program implementation. As discussed at the PHC, a Framework Study that proposes a comprehensive approach to EM&V will be published by the end of February and posted on the Commission’s Website.⁵ However, I believe it is prudent to bifurcate our efforts to address EM&V-related issues by first addressing those most directly related to performance incentive design. Irrespective of the Commission’s determinations

⁵ The Framework Study is entitled: “Next Generation Evaluation Framework,” and the primary authors are TecMRKT Works, Architectural Energy Corporation, and Megdal and Associates. This report will be posted on the Commission’s Website at the following link:

<http://www.cpuc.ca.gov/static/industry/electric/energy+efficiency/rulemaking/index.htm>

on administrative structure and incentives, we need to standardize the performance basis and measurement/verification protocols associated with resource programs for a range of other purposes, such as the ongoing assessment of energy savings potential, feedback and refinement of program design, as well as overall program evaluation.

In D.03-12-062, the Commission discussed its interest in developing an incentive mechanism for the energy efficiency component of energy procurement that is consistent with overall procurement goals and incentive policies. It was within this context that the Commission referred the evaluation of energy efficiency performance incentives to this proceeding.⁶ The priority for workshops on Incentives and Related EM&V should therefore be on: (1) defining the performance basis of programs in terms of net resource benefits, and (2) updating existing procedures and protocols for measuring that performance basis, generally referred to as load impact evaluation.

This is not to preclude discussion of performance basis for programs with other purposes or goals as their primary focus. However, Energy Division should allocate the workshop time in April and May in a manner that enables sufficient development of detailed consensus and non-consensus proposals for the performance basis and measurement protocols associated with resource programs. Sufficient time should also be set aside for workshop participants to develop estimates of the costs associated with the consensus and non-consensus measurement proposals. Where consensus cannot be reached on workshop

⁶ See the Commission's discussion under Section G. "Performance Incentives for Procurement Energy Efficiency Activities," D.03-12-062, *mimeo.*, pp. 70-71.

issues, Energy Division staff should include a discussion of the pros and cons of each proposal in the Workshop Report, and present its recommendations.

As time permits, Energy Division may also schedule workshops during May 2004 to discuss and develop standardized approaches to evaluating the performance of programs that do not have energy savings as a primary goal, and include parties positions and Energy Division recommendations in the June 8, 2004 Workshop Report. In any event, as discussed below, I will hold a further PHC in July to schedule further work on EM&V so that the Commission can resolve remaining EM&V-related issues in time for the 2006 program planning cycle.

The schedule for this phase of the proceeding is as follows:

Energy Division Workshop Notice with reference to relevant sections of EM&V framework study	by March 11, 2004
Pre-Workshop Comments and Proposals for Defining Performance Basis and Associated Measurement Protocols	March 26, 2004
Energy Division Workshops	April 2, 2004, with additional dates scheduled during May 2004, as needed.
Energy Division Workshop Report Presenting Consensus and Non-consensus Positions and Energy Division Recommendations	June 8, 2004
Opening Comments on Workshop Report	June 25, 2004
Reply Comments on Workshop Report	July 9, 2004

As discussed above, the full EM&V Framework Study will be posted on the Commission's Website by the end of February 2004. However, only a subset

of the report (generally referred to as “load impact evaluation”) will be relevant to this phase of the proceeding. Energy Division will identify those specific sections in its Workshop Notice. Pre-workshop comments should focus on the relevant portions of the Framework Study and the workshop priorities discussed above. I encourage parties to communicate with each other prior to the filing of pre-workshop comments to identify areas where joint comments or proposals would be appropriate.

In late July 2004, I will hold a further PHC in this proceeding to discuss the next procedural steps regarding EM&V and incentives. At that juncture, we should have a final Commission decision on administrative structure per the schedule outlined for Phase 1. I will then be in a better position to schedule additional filings on incentives and EM&V and establish my target dates for issuing decisions on these issues during the second half of 2004.

Phase 4: Avoided Costs

As discussed at the PHC, a report on avoided cost updating, entitled “A Forecast of Cost Effectiveness Avoided Costs and Externality Adders” prepared by Energy and Environmental Economics, Inc., has been posted on the Commission’s Website.⁷

This report was developed at the Commission’s direction in D.03-04-055 in order to: (1) update the current cost-effectiveness inputs used in evaluating energy efficiency programs to more accurately reflect current conditions, and (2) provide the Commission with a method and model for updating cost-effectiveness inputs on an ongoing basis. Among other things, this report

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<http://www.cpuc.ca.gov/static/industry/electric/energy+efficiency/rulemaking/index.htm>.

develops a forecast for the years 2004-2005 of avoided energy costs for use in quantifying the benefits of demand-reduction programs. It also establishes a forecast for those years of externality adders for use in quantifying program benefits, namely, an environmental externality adder, a transmission and distribution adder, a system reliability adder, and a price elasticity of demand adder.

As noted in my December 22, 2003 ruling and by several parties in their PHC statements, avoided costs appear in contexts other than energy efficiency and demand-reduction. For example, avoided costs are used to determine contract rates for Qualifying Facilities (QFs). Avoided costs influence the evaluation and ranking of bids under the Renewables Portfolio Standard (RPS) from various resources, and for energy bids other than the RPS for energy procurement. Avoided costs have also been used to establish the value of achieved savings in incentive mechanisms. In addition, the “marginal cost” aspect of avoided cost is used for revenue allocation and rate design purposes in Commission proceedings.

In D.03-12-062, the Commission indicated its intent to issue an Order Instituting Rulemaking (OIR) to update the short-run avoided costs used to determine contract rates for QFs. At the PHC, we discussed ways to coordinate our efforts to update avoided costs in this proceeding with that OIR and other Commission proceedings where updated avoided costs will be needed. I suggested that the Commission might consider issuing a generic OIR on avoided cost methodology, inputs and updating that would apply to the various applications for avoided costs at the Commission, including short-run avoided cost pricing for QFs. Regardless of the particular application of an avoided cost calculation, the Commission should ensure that the data inputs used in calculating avoided costs are consistent. In my view, issuing a generic OIR on

avoided cost updating is a reasonable approach for ensuring this consistency. I will be pursuing this idea with my colleagues and Commission staff in the coming weeks. However, even if a generic OIR is not created for this purpose, we can still work to ensure consistency in avoided cost forecasting through broadly noticed workshops and careful coordination across proceedings. Moreover, a workshop process can help to frame the issues for a more generic approach to calculating and updating avoided costs in the future.

Accordingly, I envision for this phase of the proceeding a broadly noticed Energy Division workshop and request for comments on the avoided cost report referenced above.⁸ At that workshop, representatives from Energy and Environmental Economics, Inc. should present an overview of their proposed approach to forecasting avoided costs and externality adders, and be available to answer questions concerning their approach and respond to concerns raised in pre-workshop comments. The workshop will serve as a forum for parties to discuss their views on the proposed methodology and resulting forecasts with respect to energy efficiency applications, such as cost-effectiveness evaluations for program selection and the valuation of resource benefits after program implementation. This will be the first task of the Workshop. As a second task, the workshop will serve as a forum for discussing the extent to which the proposed avoided cost methodology and resulting forecasts could be applicable to other avoided cost applications.

⁸ If a generic OIR is not created for this purpose, then Energy Division should notice the Workshop in this docket, with service to parties in all other proceedings where avoided costs are being considered or applied, including the procurement rulemaking, distributed generation proceedings, demand-response rulemaking, and QF proceedings.

The schedule for this phase is as follows:

Energy Division Workshop Notice:	May 21, 2004
Pre-Workshop Opening Comments:	June 4, 2004
Pre-Workshop Reply Comments:	June 18, 2004
Energy Division Workshop:	June 23, 24, and 25, 2004
Post-Workshop Comments:	July 16, 2004
Post-Workshop Reply Comments:	July 30, 2004

The workshop discussion, and subsequent post-workshop comments, should focus on the following issues:

1. Should the Commission adopt the methodology for updating avoided costs presented in the consultant's report for the purpose of evaluating the resource value of energy efficiency programs, both before and after program implementation? If not, what aspects of that methodology should be refined or modified?
2. Which components of the proposed methodology could be applicable to other avoided cost applications, such as short-run avoided costs for QF pricing, cost-effectiveness evaluation of demand-response programs, distributed generation, renewables and other supply-side resources? Which components do not appear to be applicable, and why not?
3. How should the development of avoided costs be further coordinated to ensure consistency of common inputs and avoided cost components across the various avoided cost applications at the Commission?

At the July PHC, I will discuss the next procedural steps for addressing avoided cost issues in this proceeding.

Service List and Electronic Service Protocols

The current service list in this proceeding is posted on the Commission's Website. Instead of replacing the existing service list in its entirety, based on the appearance forms filled out at the PHC, I have elected to add those new appearances to the existing service list, and update the e-mail addresses as indicated in the appearance forms. Any party who no longer wishes to remain on the service list should contact our Process Office to remove his/her name. I also remind all interested parties in this proceeding that it is their responsibility to inform the Process Office of any changes to contact information, including electronic mail addresses. The Electronic Service Protocols attached to my December 22, 2003 ruling continue to apply to the documents served in this proceeding, until further notice.

IT IS RULED that:

1. The high priority issues in this proceeding will be addressed in the sequence and schedule set forth in today's ruling.
2. A two-day workshop on energy efficiency administrative structure will be held from 9 a.m. until 4 p.m. on March 17 and 18, 2004, at the Commission's Courtroom, 505 Van Ness Avenue, San Francisco, California. An agenda for the workshop will be distributed to the service list in this proceeding via electronic mail and posted on the Commission's Website at www.cpuc.ca.gov.
3. The Electronic Service Protocols attached to the Assigned Commissioner's Ruling dated December 22, 2003, will continue to apply to the documents served in this proceeding, until further notice.

Dated February 6, 2004, at San Francisco, California.

/s/ SUSAN P. KENNEDY

Susan P. Kennedy

Assigned Commissioner

ATTACHMENT 1

ADMINISTRATIVE FUNCTIONS AND RESPONSIBILITIES, OPTIONS FOR ADMINISTRATIVE STRUCTURE, AND CRITERIA FOR EVALUATION OF ADMINISTRATION PROPOSALS

A. Identified Areas of Administration Responsibility:

The starting point for our Workshop discussion on administrative structure will be to identify the functions and responsibilities of an energy efficiency administrator (or administrators), using common terminology.¹ I seek input from parties to clarify or expand the following list during the workshop discussion.

1. **Policy Oversight:** Determines policy direction and priorities, including short- and long-term energy efficiency and procurement goals; approves portfolio funding.
2. **Research and Analysis in Support of Policy Oversight:** Provides research and recommendations to assist in development of the Energy Efficiency policies and budget, including evaluation of Energy Efficiency potential savings, long-term impacts and priorities, short-term portfolio analyses and priorities; provides research related to procurement and Public Goods Charge funded activities; evaluates effectiveness of the structure for managing and administering the implementation of the Energy Efficiency Portfolio as it relates to budget management, program development and support and overall costs and results.
3. **Portfolio-Level Evaluation, Measurement and Verification (EM&V):** Establishes EM&V plan for evaluating the portfolio based on policy and budget priorities; evaluates overall objectivity and accuracy of EM&V results and makes recommendations for improvements; recommends overarching EM&V studies and other evaluation priorities, as needed. The EM&V activities described under #6 feed into this EM&V function.
4. **Program Choice:** Solicits and/or develops and selects programs that meet the approved policy priorities; submits general program description and budgets for regulatory approval.
5. **Management/Administration of Energy Efficiency Program Portfolio:** Responsible for general administration, and coordination of programs; reviews design of selected programs and propose changes based upon experience to date; oversees contracting and program implementation

¹ Note: Program delivery and implementation are not included in this list, because we are focusing solely on areas of administrative responsibility.

process; develops and implements quality assurance standards and tracking protocols; reviews and approves invoices; generates required reports and maintains centralized system for reports to regulators, legislators, advisory groups, and others.

6. **Management/Administration of Individual Program EM&V:** Oversees and ensures effectiveness of individual program EM&V; oversees assessment of individual program impacts, cost effectiveness and other appropriate measurements; develops EM&V criteria and determines reporting frequency; evaluates overall objectivity of individual program EM&V results.
7. **Fiscal Agent:** Responsible for holding and dispersing funds.
8. **Dispute Resolution:** Resolves disputes among administrative entities and implementers, including third-party contractors.

B. Options for Administration Structures

A significant portion of the Workshop will focus on identifying the various administrative options for the administrative functions and responsibilities described above, and on describing the implementation issues associated with each of them.

By way of background, I briefly outline the “current situation” with respect to energy efficiency administration in California, and then present a general listing of options to expand upon and describe in more detail at the Workshop.

Current Situation: Today, The California Public Utilities Commission (CPUC) holds the responsibility to determine policy priorities, policy recommendations, approve specific programs and overall statewide reports, and to update the Policy Manual. The CPUC is also responsible for program solicitation and review, and for some aspects of ongoing program management. The investor owned utilities (IOUs) are responsible for oversight and evaluation of their programs, and as well as oversight of Commission approved non-IOU programs. We recognize that evaluation of programs is most often outsourced, but the IOU or the non-IOU program implementers currently hold the contracts directly with the contractors. The IOUs are responsible for contracting studies on statewide energy efficiency issues such as savings potential.

The CPUC is responsible for approving funding for programs funded by the public goods charge (PGC),² the procurement energy efficiency balancing account charge (PEEBA),³ and the natural gas surcharge (NGS).⁴ The IOUs hold fiscal responsibility

² Pub. Util. Code § 381.

³ CPUC Decision 03-12-062.

⁴ Pub. Util. Code §§ 890-900.

for the PGC and PEEBA funds. Upon approval by the CPUC, those funds are dispersed by the IOU. NGS funds are remitted by the IOUs and interstate pipeline customers to the Board of Equalization.⁵ Upon approval by the CPUC, the State Controller issues payment to the IOUs to reimburse them for their expenses.

General Administrative Options:⁶

- **Independent Administration-** Independent, non-governmental agency contractually responsible to the CPUC or statutorily responsible for most aspects of energy efficiency with some regulatory oversight by the PUC.
 - Examples: Oregon's non-profit Energy Trust, and Vermont's regulated Energy Efficiency Utility
- **Vertically Integrated IOU-** authority is given to the IOU to design and implement programs approved by the PUC. Most closely resembles current California model, although CPUC is responsible for solicitation for all EE programs.
 - Examples: Washington state, Minnesota, Florida, Colorado
- **Distribution Only Utility-** generation divested utility responsible for design and implementation of programs approved by the PUC.
 - Examples: MA, Connecticut, New Jersey
- **Governmental Administration-** state agency (or agencies) holds responsibility for overall administration of programs.
 - Examples: New York (quasi-gov't corporation), Maine (PUC administers programs), Wisconsin, Illinois, Ohio

C. Criteria for Evaluation of Administration Proposals. We will also spend time during the workshop identifying criteria that should be considered in recommending and evaluating the best administration options for California. I present the following list to initiate the Workshop dialogue. Participants may suggest others that they see relevant in pursuing an administration option.

1. **Promotes Integrated Resource Planning and Energy Efficiency Goals:** The administrative structure ought to wholly support and inform these public policy goals. How does the proposed structure provide the following:

⁵ The Board of Equalization transmits payments to the Gas Consumption Surcharge Fund in the State Treasury. Pub. Util. Code § 892.

⁶ The list of options draws from the Regulatory Assistance Project's report "Who Should Deliver Ratepayer Funded Energy-Efficiency Programs," March 2003.

- Capability of administering a portfolio of cost-effective energy efficiency programs that can meet the Energy Action Plan goals.
 - Capability of administering a portfolio of cost-effective energy efficiency programs that can meet the goal of reducing per capita demand by 1%, per the Assigned Commissioner's ruling dated July 3, 2003.
 - Communication and coordination with entities responsible for supply-side portfolio management and transmission planning to ensure that all resource options are considered in a least-cost, integrated manner.
2. **Organizational Focus and Mission:** The organizational focus and mission should be compatible with Criteria #1.
- How does the administrative structure ensure that energy efficiency is a core component of the agency(s) responsibility and focus?
 - Are there any conflicts based on the agency(s) organizational focus and mission (financial or non-financial) with respect to pursuing cost-effective energy efficiency? If so, what are they?
3. **Accountability and Oversight:** The administrative structure ought to provide checks and balances throughout the process. How does the proposed structure consider and ensure the following:
- Measurement and monitoring of administrative effectiveness
 - Efficient, non-redundant program costs or efforts
 - Remove or mitigate conflicting financial interests to ensure ongoing objective implementation and verification of programs
4. **Administrative Effectiveness:** How does the proposed structure consider and ensure the following:
- Collaborative process and involvement of parties
 - Demonstrate flexibility to adapt programs to evolving market conditions/opportunities
 - Timely and transparent decision making process
5. **Implementation Considerations:** Each administrative option will have implementation requirements that should be considered in the selection process. These include:
- What are the startup and ongoing costs of the organization?
 - What are the necessary steps and requirements to ensure smooth transfer of program responsibilities?
 - What is required to ensure funding and institutional sustainability of effort over time?
 - What legislation, if any, is required to implement the proposed administration structure(s)?
 - What other legal issues must be address prior to implementation of the proposed administration structure(s)?

(END OF ATTACHMENT 1)

CERTIFICATE OF SERVICE

I certify that I have this day, served electronically the parties to which an electronic mail address has been provided, and served by U.S. mail the parties who do not have e-mail addresses, a true copy of the original attached Assigned Commissioner's Ruling Establishing Schedule for Addressing High Priority Issues During 2004, and Notice of Workshop on Administrative Structure on all parties of record in this proceeding or their attorneys of record.

Dated February 6, 2004, at San Francisco, California.

/s/ KE HUANG

Ke Huang

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.